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DATE: _____ NUMBER: _____ DUE BY: _____
 "Federal Assistance for Those in Need of Help"

SUBJECT: _____

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Transportation	☐	☐		☐	☐
Energy	☐	☐		☐	☐
Education	☐	☐		☐	☐
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REMARKS:

The attached was prepared by the Office of Management and Budget and is forwarded for your information.

20 MAR 26 02 20W

RETURN TO:

Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

L289



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 12, 1982

FEDERAL ASSISTANCE FOR THOSE IN
NEED OF HELP

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FEDERAL ASSISTANCE FOR THOSE IN
NEED OF HELP

SUMMARY

An objective review of the Omnibus Budget Reconciliation Act of 1981 and the recently proposed 1983 budget shows that many millions of people who are really in need will continue to receive Federal assistance.

Highlights

Among the highlights of the review, presented in detail later in the paper, are the following:

- Federal support for the elderly will average \$7,850 per individual (\$15,700 per couple) in FY 1983. 28% of all Federal spending will go to the elderly.
- The Federal government will subsidize approximately 95 million meals per day, or 14% of all meals served in the United States during FY 1983.
- 6.9 million post-secondary awards or loans will be available to students and/or their parents through Federal student assistance programs in FY 1983.
- Through Medicaid and Medicare, the Federal government will pay for the medical care of approximately 47 million aged, disabled, and needy Americans in 1983, approximately 20% of our total population and 99% of those over 65.
- Approximately \$2.8 billion will be spent on training and employment programs in 1983 providing training for almost one million low-income disadvantaged people, 90% of whom will be below the age of 25 or AFDC recipients.
- The handicapped and disabled are served by a multitude of different programs and services, including the Social Security Disability Insurance Trust Fund, Supplemental Security Income, Medicaid and Medicare, Rehabilitation Services, education for the handicapped and Head Start.
- About 3.4 million American households will be receiving HUD subsidized housing assistance at the beginning of 1983.
- Assistance equivalent to \$13,000 for a family of four will be provided to 700,000 Indians living on or near 499 Federally-recognized Indian reservations and Alaska Native villages.

- The reduction in inflation during 1981 below 1980 (and also below that anticipated by the Carter Administration) saved families living at the poverty level over \$250 in purchasing power.

DETAILS

I. FEDERAL ASSISTANCE TO THE NEEDY

The Federal government has done a remarkable job in assisting those truly in need (and some not so needy). According to one study,

- . Without any kind of assistance at all, there would have been 41 million people, or 18.8% of the population, below the poverty level in FY 1980.
- . That number is halved, to about 18.8 million, if you include only cash assistance in the poverty calculation.
- . If you include the value of in-kind transfers, but exclude medical care, 13.5 million had after tax income below the poverty level.
- . Finally, if you include the value of all in-kind Federal transfers the number of people with after tax income below the poverty level falls to 9 million, or 4.1% of the population.

The manner and effectiveness of Federal assistance to the major groups of the needy citizens are examined below. The numbers in the ensuing section are for FY 1983, as proposed by the President. The changes enacted in the Omnibus Budget Reconciliation Act of 1981 have been incorporated.

A. The Elderly

- Federal support for the elderly will average \$7,850 per individual (\$15,700 per couple) in FY 1983.
- While the elderly comprise about 11% to 12% of the total U.S. population, they will receive 28% of Federal budget outlays in FY 1983.
- Over the next 5 years, Federal spending for the elderly will increase 125% as fast as overall Federal spending.

Who Receives Assistance:

- . Social Security: The Old Age Survivors and Disability Insurance will provide monthly cash payments up to \$868 per month to 24.5 million people who are 62 or older.
- . Veterans Programs: Compensation payments to service-connected disabled veterans and pensions for aged or disabled will provide benefits to over 2 million aged veterans and survivors. Compensation payments for the elderly average \$2,860 annually. Pension payments for the elderly average \$1,544 annually.
- . Health Programs: Medicare, Medicaid, and other health programs will provide over \$4,200 per elderly couple in Federal expenditures in 1983.
- . Housing Assistance: Rent subsidies and loan interest subsidies are provided to 2.25 million elderly households through HUD subsidized housing programs.
- . Nutrition Programs for the Elderly: Federal, State and local governments will serve 600,000 meals per day to the elderly through service centers and meals on wheels.
- . Social Services: Nutrition services, community services, homemaker assistance and protective services and assistance to low-income households in meeting high energy costs, totalling over \$1 billion in FY 1983, will be provided to the elderly through Social Services (Title XX), Older American Act programs and Energy Assistance.

B. Subsidized Meals

- The Federal government will subsidize approximately 95 million meals per day, or 14% of all meals served in the United States during FY 1983.
- Much of this nutrition assistance goes to households with incomes well above the poverty level.

Who Receives Assistance:

- . Food Stamp Program: "Near cash" assistance will be provided to 18.6 million participants. Eligibility is set at 130% of the poverty level, which means that a family of four earning less than \$12,000 is eligible for assistance. In addition more than 1 million residents of Puerto Rico will receive Nutrition Assistance.
- . Child Nutrition Program: Subsidizes 22.6 million school lunches, and 4 million school breakfasts and child care meals every day. About 23 million children, or 53% of all school children, will receive some sort of subsidy, with 9 million receiving a fully subsidized meal.
- . Nutrition Programs for the Elderly: Federal, State and local government will serve 600,000 meals per day to the elderly through senior centers and meals on wheels programs.
- . Commodity Distribution Program: An in-kind benefit provided to Indians and Pacific Islanders, it will make nutritious USDA commodities available to supplement the diets of 100,000 participants in FY 1983.

C. Student Assistance

- 6.9 million post secondary awards and loans will be available to students and/or their parents through Federal student assistance programs.
- Federal assistance will total over \$13 billion in FY 1983. (This figure includes the principal amount of loans.)
- Real Federal higher education spending per student enrolled has increased from \$222 in 1960 to \$394 in 1970 and \$550 per student enrolled in 1982.

Who Receives Assistance:

- . Pell Grant: Cash awards ranging from \$200 to \$1,600 will be given to 1.8 million students.
- . Guaranteed Student Loan: The GSL program will provide \$10.3 billion in loans to 3.8 million students and/or their parents in FY 1983. Loans to undergraduates are at a subsidized rate and students do not have to pay any interest while in school. Parents and graduate and professional students are also eligible for subsidized loans, although less subsidized than presently.
- . G.I. Bill: 692,000 Vietnam Era veterans will receive readjustment student benefits, at a cost of \$1.3 billion, with the cash assistance averaging \$1,932. 10,000 widows and wives of Vietnam Era veterans and 79,500 sons and daughters will receive education assistance at a total cost of \$200 million.
- . National Direct Student Loan: \$430 million will be available from repayments of prior year loans to make new loans averaging \$700 to 590,000 students.
- . College Work Study: About 720,000 students will receive college work study grants averaging \$600.
- . Black Colleges: Federal direct spending for traditionally black colleges is estimated to be \$212 million in 1983, a 14% increase over 1982.

D. Child Care/Child Development

- The Federal Government will provide about \$19 billion in assistance to millions of children and mothers to meet child care, nutrition, education, health and other needs.
- Assistance to disadvantaged and handicapped children and their families will be provided in a number of ways, including direct cash assistance, subsidies for services such as child care, in-kind assistance through nutrition supplements and support for local child welfare agencies for services to protect children and reunite families.

Who Receives Assistance:

- . Head Start: 377,000 children from low-income families (including at least 10% handicapped) will benefit from comprehensive child care and development services. In FY 1983 this represents a Federal investment of more than \$2,400 per child, up almost \$300 per child over FY 1981. Head Start enrollment will be maintained in FY 1983. Head Start children receive a full array of health services, including immunizations, physical and dental exams and treatment, mental health services, and hot meals to meet daily nutritional needs.
- . Social Services: Approximately \$1.2 billion in Federal funds (Social Services Block Grant (SSBG)/Child Welfare Services/Foster Care) will provide day care, child welfare/child protective, foster care/adoption subsidies for abandoned children, children at risk of abuse or neglect and children from low-income families.
- . Supplemental Security Income: 265,000 crippled children are provided \$725 million in basic benefits.
- . Social Security: Children's Benefits from Social Security of workers who are deceased, retired, or disabled will provide almost 4.2 million children with over \$12 billion, or an average of over \$2,800.
- . Medicaid: 10.6 million disadvantaged children will receive \$2.6 billion in Federal benefits in FY 1983. (This does not include the State share.)
- . Education: An estimated 4.3 million disadvantaged students will benefit from assistance provided under Chapter I of the Education Consolidation and Improvement Act, (previously Title I, of the Elementary and Secondary Education Act). State and local education agencies receive grants which support supplementary compensatory education services for educationally disadvantaged students, including migrant children, children from low-income families, and neglected and delinquent students in State institutions. \$1.9 billion will be provided in FY 1983.

E. Medical Assistance

- The Federal government--through Medicaid and Medicare--will pay for the medical care of about 47 million aged, disabled, and needy Americans in 1983, approximately 20% of our total population and 99% of those over 65.
- The cash value of the in-kind service (including State contributions to Medicaid) is almost \$90 billion, or an average of over \$1,900 per recipient in 1983.

Who Receives Assistance:

- . Medicaid and Medicare: Medicaid will finance care for approximately 22 million needy individuals at an estimated FY 1983 Federal cost of over \$17 billion. Combined Federal and State expenditures for Medicaid will total approximately \$35 billion, involving some 103 million physicians' visits.
- . Medicaid beneficiaries include more than 10 million needy children, 3 million needy disabled individuals, and 3.6 million needy elderly.
- . Medicare and Medicaid will cover approximately 26 million aged Americans, about 99% of the total age group, at a 1983 cost of about \$55 billion.
- . Medicare and Medicaid will cover 5 million disabled individuals at a total Federal cost of \$12.1 billion in FY 1983.
- . Veterans: The Veterans Administration will care for 1.4 million in-patients and provide for 18.3 out-patient visits in FY 1983. An average daily in-patient caseload of 102,722 is expected.
- . Compared to FY 1982, the VA will treat an additional 5,290 in-patients, increase employee staffing devoted to direct patient care and increase obligations for medical care by \$529 million during FY 1983.
- . Block Grants: Block grants for health prevention and services, women, infants and children; alcohol, drug abuse, and mental health; and primary care will be funded up to \$1.9 billion in FY 1983.

F. Training for Employment

- Approximately \$2.8 billion will be spent on training and employment programs in 1983, providing training for almost 1 million low-income people.
- Approximately 90% of those served will be people below the age of 25 or AFDC recipients.

Who Receives Assistance:

- . Training Grants to States: General training grants to States (outlays of \$1.5 billion) will provide training and employment services to approximately 800,000 people. All participants will be low-income young adults between the ages of 16 and 25 or AFDC recipients.
- . The Federal subsidy in the State Training block will be \$4,600 per trainee, on an annualized basis.
- . Special Target Groups: Between 95,000 and 110,000 individuals from groups that have particular difficulty finding and retaining jobs will be provided training and other supportive services. Included among those served will be Indians, migrants, older workers, and those displaced from jobs because of increased imports.
- . Job Corps: About 80,000 poor and educationally disadvantaged youth ages 16-21 will be served by this residential training program. An end-of-year enrollment capacity of 22,000 participants will be achieved, equal to the operating level of the program during most of the 1970's.

G. Income Maintenance

- The Federal government provides \$55 billion in cash and in-kind benefits through eight major means tested Federal assistance programs.
- The reduction in inflation during 1981 below 1980 (and also below that anticipated by the Carter Administration) saved families living at the poverty level over \$250 in purchasing power.

Who Receives Assistance:

- Aid to Families with Dependent Children Program (AFDC): Provides \$5.4 billion in FY 1983 cash assistance to 3.5 million families, 3.4 million of whom are below the poverty level. (This spending figure does not include the State share.)
- Supplemental Security Income Program: Cash assistance of \$8 billion in Federal benefits will be provided to 3.6 million individuals, 1.4 million of whom are elderly, and 2.2 million of whom are disabled.
- Food Stamp Program: Assists 18.6 million individuals, 12 million of whom are below the poverty level. Total costs will be \$9.5 billion in FY 1983 with an additional \$870 million for nutrition assistance in Puerto Rico and U.S. territories.
- Federal Housing Assistance: HUD subsidized housing programs will provide housing assistance to about 3.4 million households at the beginning of 1983. HUD will make \$8.6 billion of subsidized housing commitments in 1983.
- Child Nutrition: Subsidizes 22.6 million school lunches and 4 million school breakfasts and child care meals per day. About 23 million children, or 53% of all school children, would receive some sort of subsidy, with 9 million receiving a fully subsidized free meal.
- Medicaid: Provides \$17 billion in Federal assistance to 22 million needy individuals, including 10.6 million children, 3 million disabled individuals, and 3.6 million elderly.
- Earned Income Tax Credit: 7 million individuals will receive \$2 billion in Earned Income Tax Credits. 5 million will receive refunds totalling \$1.2 billion.
- The Low-Income Energy Assistance Program: Will provide \$1.3 billion for State assistance to low-income households for energy needs.

H. Handicapped and Disabled

- The handicapped and disabled are served by a multitude of different programs or services, including the Social Security Disability Insurance Trust Fund, Supplemental Security Income, Medicaid and Medicare, Rehabilitation Services, education for the handicapped, and Head Start.

Who Receives Assistance:

- . Social Security: Social Security Disability Insurance (DI) will provide \$18.2 billion in cash benefits to 4.3 million disabled workers and their dependents in FY 1983 -- an increase of about \$0.5 billion over 1982.
- . Supplemental Security Income (SSI): In 1983 SSI will provide about \$8 billion in cash payments to 3.6 million aged, blind, and disabled individuals -- an increase of \$1 billion over 1982. About 35% of the SSI disabled also receive DI benefits.
- . Health Programs: Medicare and Medicaid will provide \$12.1 billion to support medical services to 5.0 million disabled individuals in 1983.
- . Housing Assistance: In 1983, HUD will provide more than \$40 million in loans for construction of housing for handicapped individuals. This amount will support about 945 housing units which will also receive Section 8 rent subsidies.
- . Education: A total of \$846 million will be requested in 1983 for a consolidated grant to provide services to handicapped children (a consolidation of programs authorized by the Education of the Handicapped Act and supplementary services provided to handicapped children in state institutions under Chapter 1 of the Education Consolidation and Improvement Act.)
- . Head Start: The 1983 budget level will permit enrollment of at least 37,700 handicapped children.

I. Housing Assistance

- About 3.4 million American households will receive subsidized housing assistance under HUD programs at the beginning of 1983.
- Under current Administration proposals, HUD subsidized housing programs will serve an additional 400,000 households by the end of 1985, bringing the total population to 3.8 million households.

Who Receives Assistance:

- . Section 8: Low-income rental housing assistance covers more than 1.6 million units. Almost 1 million of these are units in existing buildings while almost 600,000 are units constructed or substantially rehabilitated specifically for use as Section 8 units.
- . Over the next two years, 150,000 newly constructed units or substantially rehabilitated units will be made available for occupancy.
- . The 1983 budget proposes shifting HUD housing subsidies away from expensive newly-constructed housing to a more efficient approach that provides subsidies to tenants living in existing market rental housing. The 1983 budget proposes providing subsidies for 112,000 existing housing units and 10,000 newly-constructed units.
- . Public Housing: The Federal Government provides assistance to 1.2 million households living in public housing. Over the next two years, 50,000 newly constructed public housing units will be made available for occupancy.
- . Farmers Home Administration (FmHA): 54,000 new households will be served in rural areas through housing assistance provided by the Farmer's Home Administration (FmHA).

J. Assistance to Indians

- Assistance will be provided to 700,000 Indians living on or near 499 Federally-recognized Indian reservations and Alaska Native villages.
- Outlays for special Indian programs comprising services to individuals and institutions, economic development assistance and Department of the Interior trust responsibilities is over \$13,000 for a family of four. This figure does not include the Federal assistance programs which benefit Indians that are available to all U.S. citizens, such as Social Security, food stamps, commodity food distribution, Aid to Families with Dependent Children, legal services, and unemployment compensation.

Who Receives Assistance:

- . Training and Employment: Skills training programs for Indians will be included as part of the Administration's proposal to reauthorize employment and training programs in FY 1983.
- . Subsidized Housing: HUD expects to complete construction on an additional 4,000 housing units designed specifically for Indians on reservations during FY 1983.
- . Indian Education Programs: The Department of Interior will provide grants for supplementary educational assistance, previously provided by the Department of Education, to approximately 310,000 Indian elementary and secondary school students nationwide, and adult education to 8,000 Indian people.
- . Indian Health Service: The Federal government will fund 98 clinics and 52 hospitals in FY 1983. In 1983 the number of medical visits provided by IHS clinics to Indians will be 27% greater than those provided in 1977.
- . Bureau of Indian Affairs (BIA): Nearly \$1 billion will be allocated to BIA programs, which include education, social services, law enforcement, resource management and construction.

II. The Direction of the Reagan Reforms

Many of the 1983 reforms will lead to greater efficiency and more effective programs.

- The Employment and Training Block Grant will provide better service for fewer dollars. Under the old Employment and Training program, total funding was \$2.3 billion, but only \$900 million was for training. The President proposes a block grant funding of \$1.8 billion, \$1.3 billion of which would go for training.
- Consolidating Women, Infants and Children (WIC) program with Maternal and Child Health Block Grant will:
 - provide \$1.0 billion in FY 1983, a level nearly double the combined \$555 million for these programs in FY 1977.
 - contain the explosive growth in the WIC program, which rose at 30% per year from 1976 to 1981, due to benefits that duplicated food stamps and lax eligibility standards that permitted many non-need to be served.

The critics have missed the many desirable reforms that the President has proposed.

- Tightening up Medicare Reimbursement to physicians and hospitals by:
 - Adjusting fees paid when services are provided in outpatient departments of hospitals to reflect the fact that the hospital provides the overhead, not the doctor.
 - Eliminating an old provision which allowed physicians and hospitals to bill for uncovered services on the grounds that, when the program started in 1967, they didn't know what was covered.
- Tightening up Medicaid by allowing states to charge nominal services (e.g., \$1.00 per office visit) to prevent over-utilization.
- Tightening AFDC and Food Stamps by:
 - Reducing reimbursements for payment-errors. Fraudulent or erroneous payments in Food Stamps alone were estimated at \$1.1 billion last year.
 - Requiring applicants to actively seek private employment before receiving any public assistance benefits.
- Eliminating unnecessary subsidies in the Guaranteed Student Loan programs by charging student borrowers the full interest cost of their loans after they have been working at least two years.